



EQUITABLE
BANK

Second Quarter 2017

August 2017



Forward-Looking Statements

Certain forward-looking statements may be made in this presentation, including statements regarding possible future business, financing and growth objectives. Investors are cautioned that such forward-looking statements involve risks and uncertainties detailed from time to time in the Company's periodic reports filed with Canadian regulatory authorities. Many factors could cause actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Equitable Group Inc. does not undertake to update any forward-looking statements, oral or written, made by itself or on its behalf except in accordance with applicable securities laws.

Company Overview

Investment Thesis

- 1** Positioned as a challenger bank
- 2** Structural business model advantages
- 3** Disciplined and proven value creation processes
- 4** Track record of consistent performance

Company Overview

Who We Are

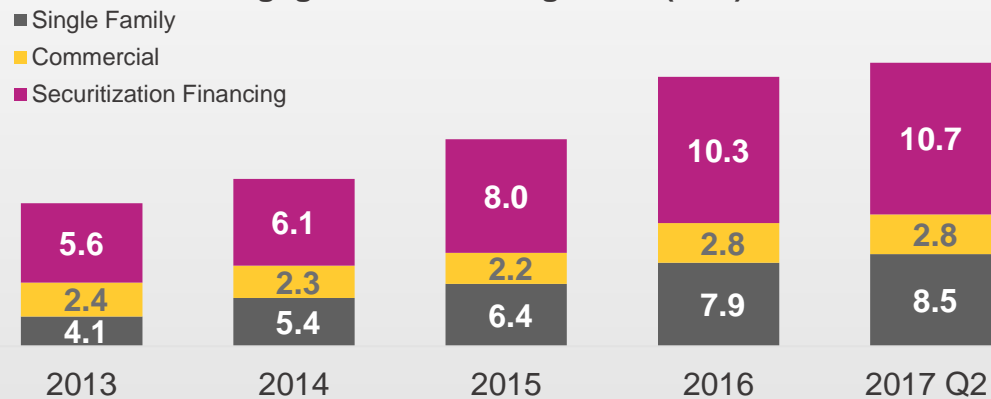
- 9th largest independent Schedule I bank in Canada by assets
- Proven lending and deposit-taking capabilities
- 45+ year track record
- 120th most profitable company in Canada (*Globe & Mail*, 2016)

Our Vision

- Become Canada's leading challenger bank...
- ...by delivering the best customer service experience of any bank in Canada
- Nurture a distinctive culture that engages our employees
- Consistently deliver a Return on Equity above 15% and maintain strong capital ratios

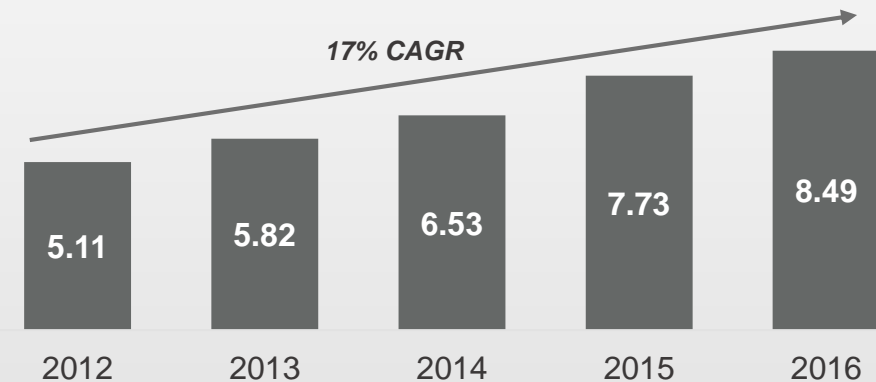
Diversified Business

Mortgages Under Management (\$Bn)



Earnings Momentum

Earnings Per Share (\$)

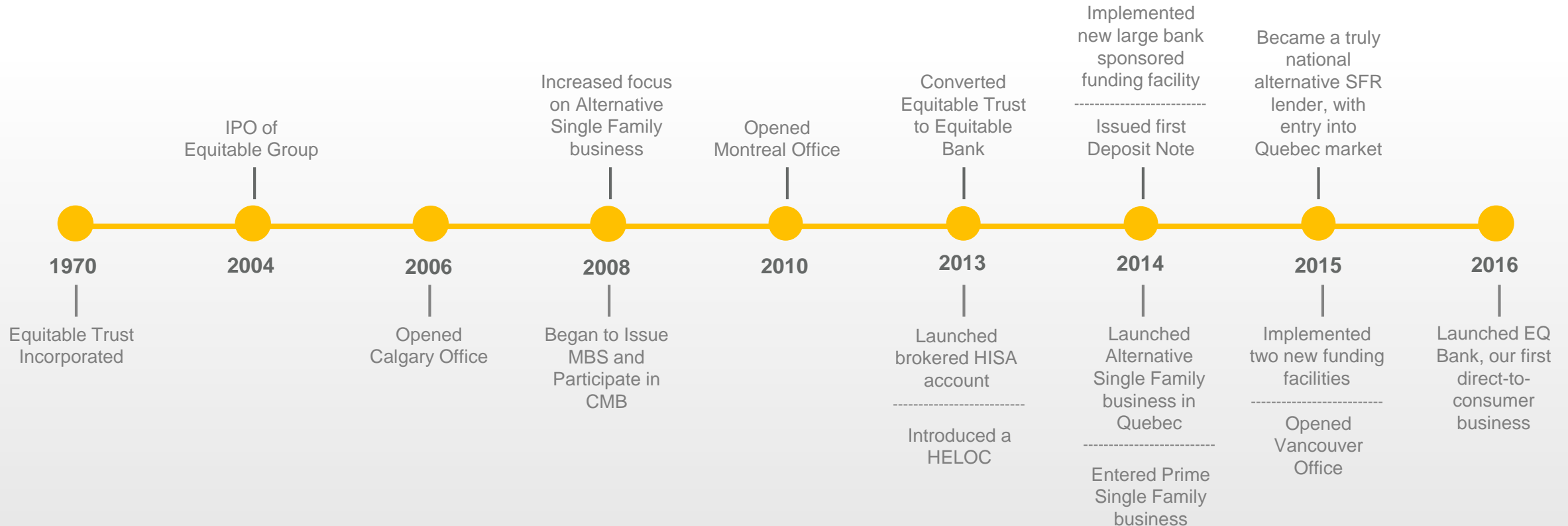


A Well Positioned Challenger Bank



Have been successfully evolving the business

INCREASING GEOGRAPHIC COVERAGE AND PRODUCT BREADTH



Long History as a Regulated Canadian Financial Institution

Equitable's Long-Term Value Creation Equation

Generate an ROE in the Mid to High Teens



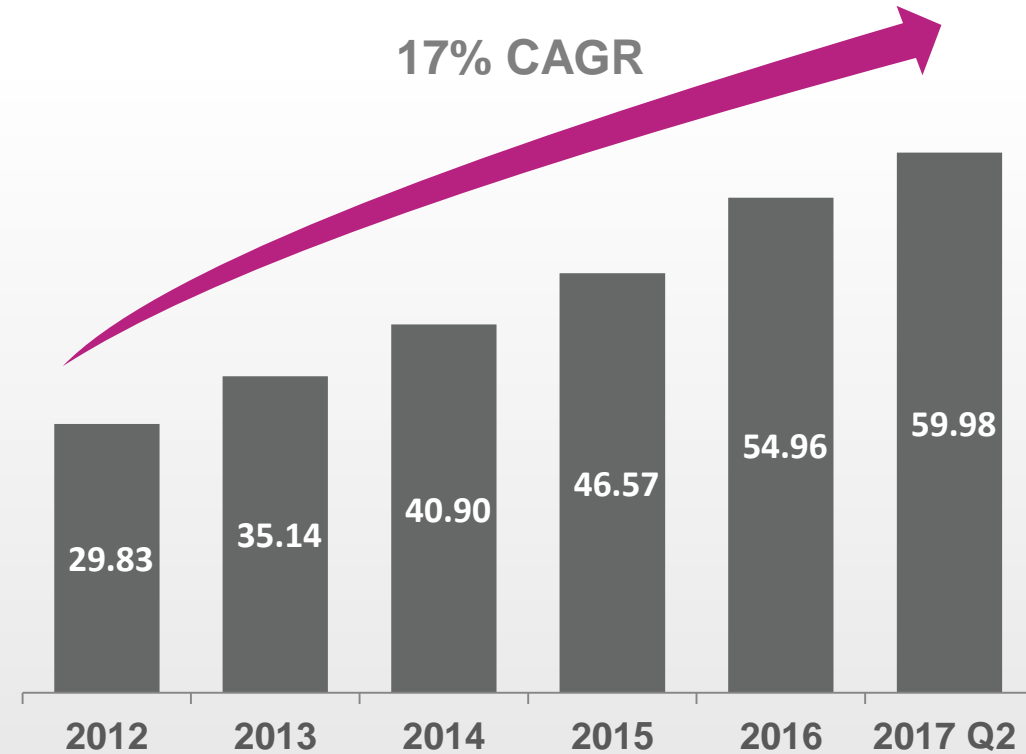
Grow Capital by Retaining the Majority of Earnings and Reinvesting it in the Business

Grow Assets at Rates In-Line With Capital Growth, if Opportunities Meet or Exceed Our ROE Targets

Pay Out a Consistently Growing Dividend to Our Shareholders

Book Value Per Share (\$)

17% CAGR



Disciplined capital management

Capital Management Framework

Strong capital base has allowed us to pursue our growth objectives while returning capital to shareholders

Capital Deployment

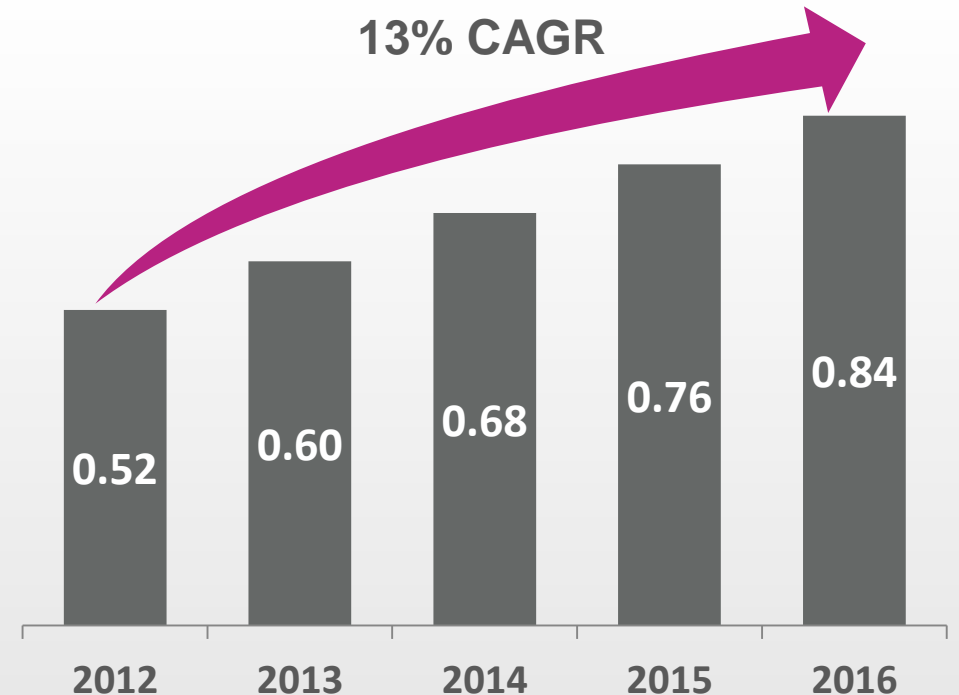
Maintain target CET1 and leverage ratios

Find attractive assets within existing markets; deploy to highest ROE opportunities first

Consistently grow dividends

Invest in growth and diversification initiatives that meet return thresholds

History of Consistent Dividend Growth



Balance sheet strength

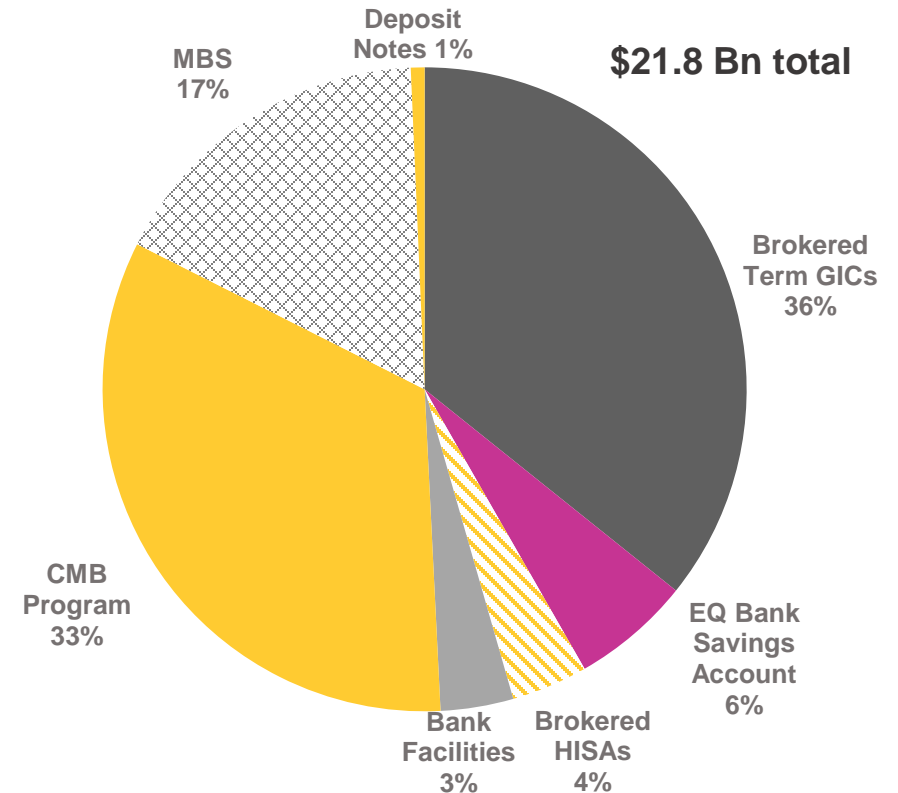
Strong Regulatory Capital Position

- Higher CET1 and Total Capital ratios than any of the eight largest publicly traded Canadian Banks...
 - ...even though we use the standardized approach to risk weight our assets
- 85% of regulatory capital in high-quality common equity

Resilient Liquidity Position

- \$2.0 Bn backstop funding facility from big-6 Canadian Banks
- \$1.6 Bn or 7.9% of total assets at June 2017
 - 94% is cash held at big-6 Canadian banks or in government guaranteed accounts/instruments
- LCR well in excess of regulatory minimum
- 99% of securities investments are preferred shares rated P-3(mid) or higher, with 43% rated P2(low) or higher

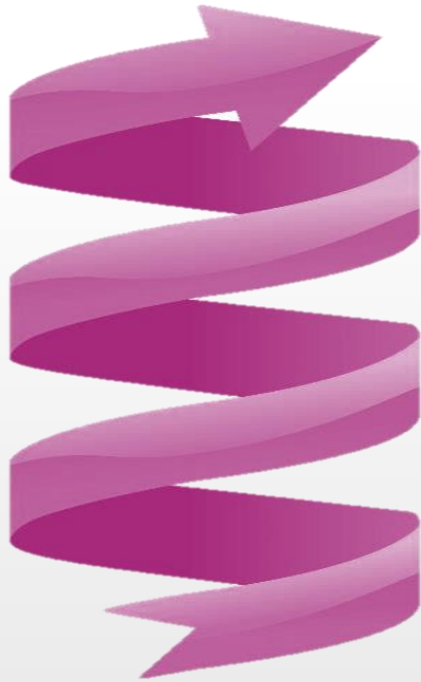
Increasingly Diversified Funding Sources



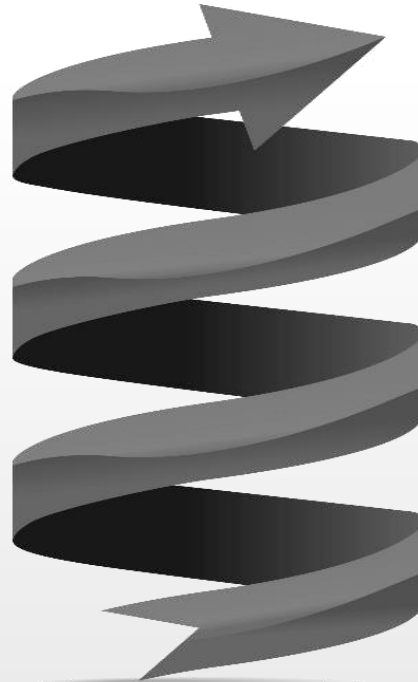
Our Digital Strategy

Equitable is embracing FinTech

Be Open



Be Collaborative

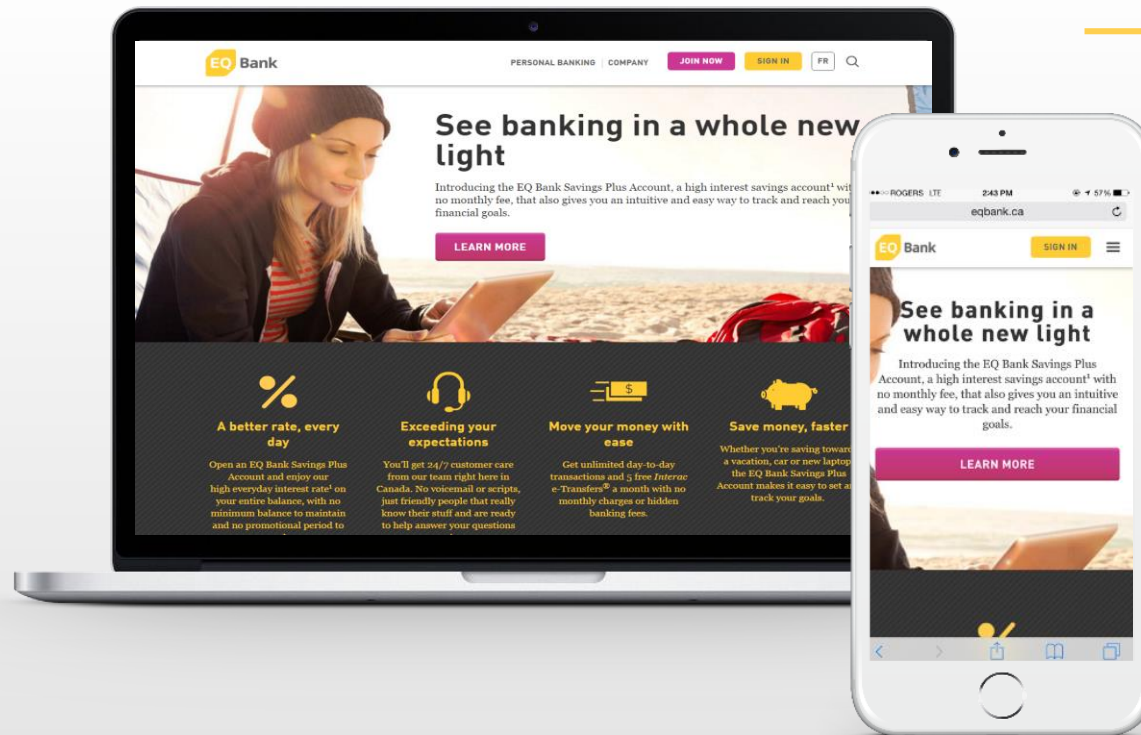


Be Invested

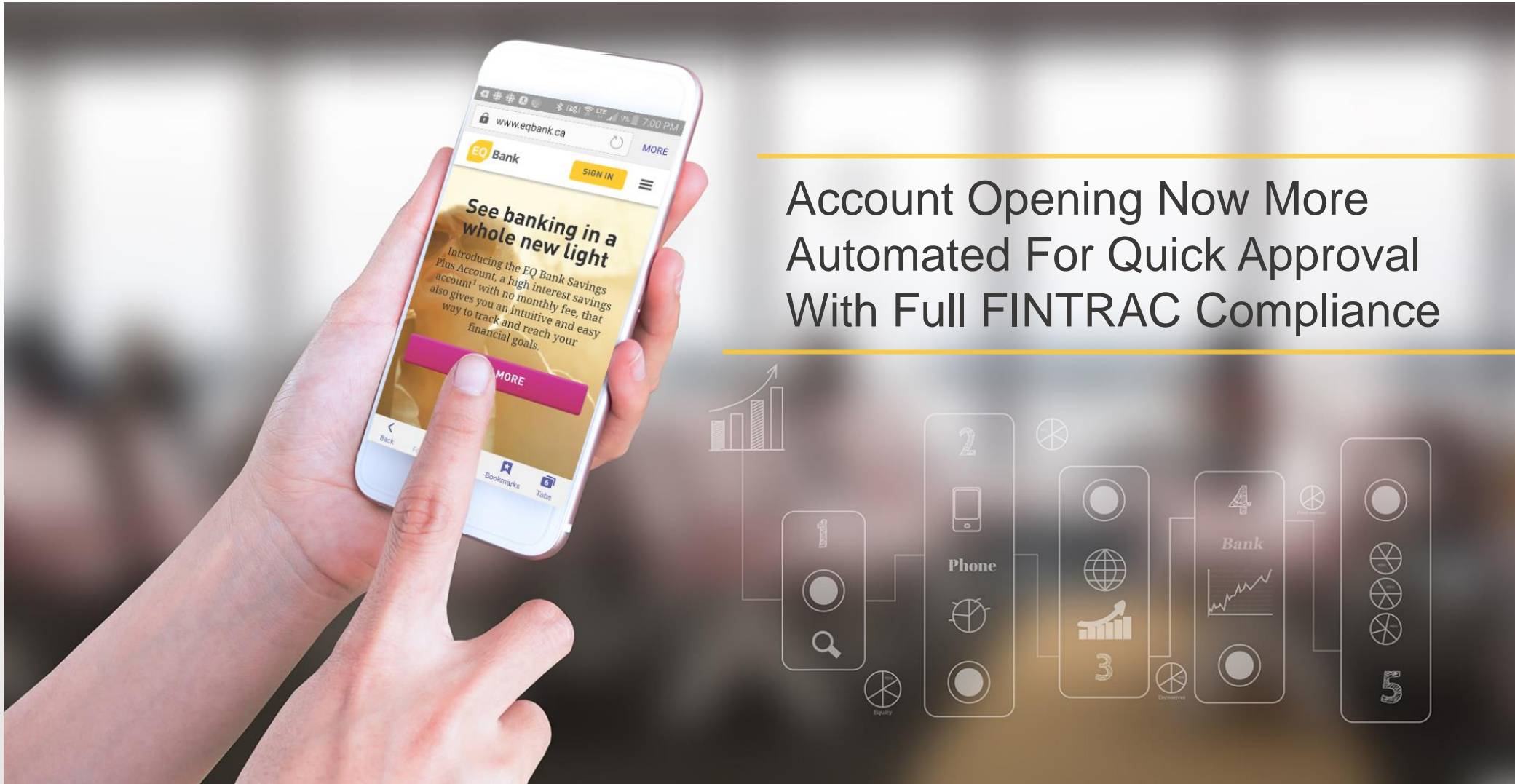


Digital simplicity, absent of legacy infrastructure, enables innovation

State-of-the-Art Banking Systems
and Central Data Depository



Continued EQ Bank Advancements



What our customers are saying about us

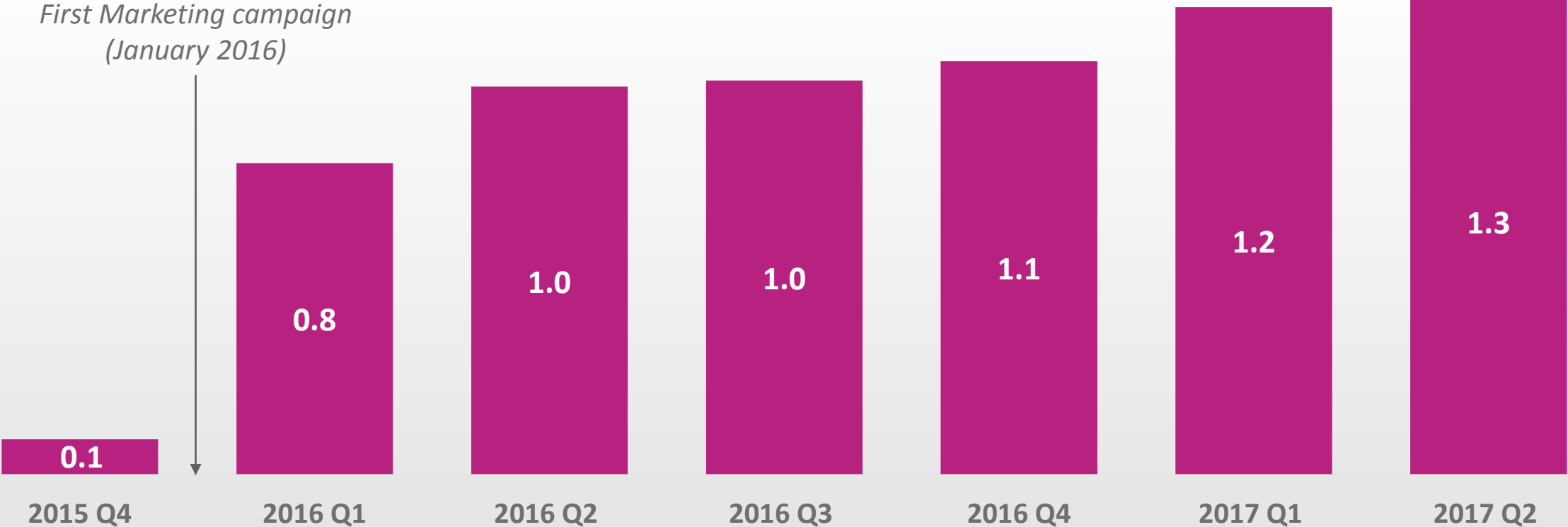
“All things being equal I prefer the EQ experience. Using EQ I’ve grown to hate the ‘Tangerine two-step’ (transfer from savings to chequing and *then* pay bill) almost as much as I used to hate the 1-day delay transferring from PCF savings to chequing.”

“IMO, EQ is better in this respect since they don’t play games with timing of deposits, starting balances, ‘new money’, etc. Every dollar of every customer earns the same 2%. That’s the fairest by far.”

“EQ > Tangerine > PCF in my personal experience.”

Canadians have responded well to our innovative digital banking platform

EQ Bank Deposit Principal Balances (\$Bn)



Our Performance

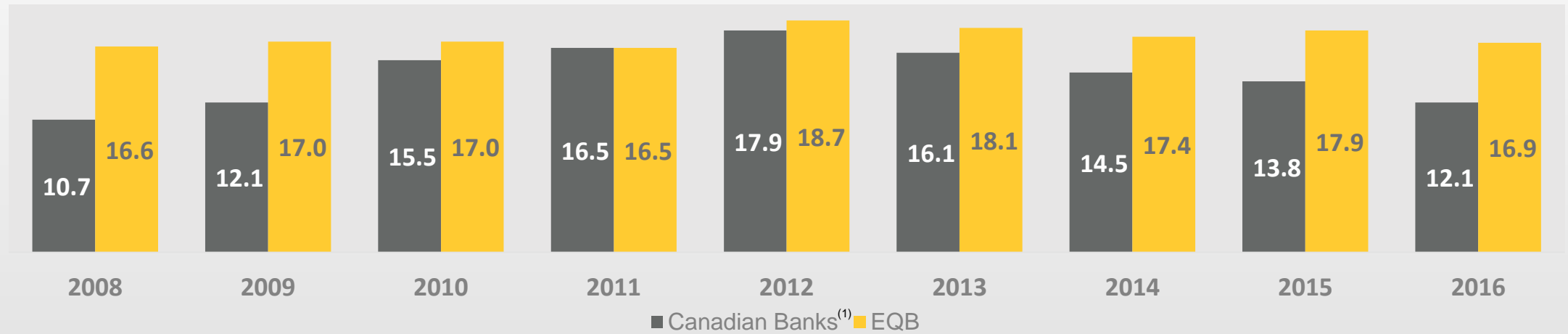
Q2 2017 Performance Highlights

Objectives	Results
Consistently create shareholder value	<ul style="list-style-type: none"> ✓ Delivered a quarterly EPS of \$2.28, 11% higher than last year ✓ Declared a common share dividend of \$0.24 per share in August, 14% higher than last year
Grow by providing effective service, competitive products and cost-efficient operations	<ul style="list-style-type: none"> ✓ Grew Alternative Single Family assets by 19% ✓ Increased our Prime Single Family Mortgages Under Management by 35%
Build our capabilities and brand	<ul style="list-style-type: none"> ✓ Continued adding value to our customers through constant enhancements to our EQ Bank digital platform ✓ Furthered our AIRB initiative and risk modelling capabilities
Maintain a low risk profile	<ul style="list-style-type: none"> ✓ Obtained a two-year \$2 billion secured backstop funding facility from a syndicate of Canadian banks ✓ Recorded a provision for credit losses of \$0.4 million or 1 bp of average loan balances ✓ Reported a CET1 Ratio of 14.8%, well ahead of regulatory minimums and most competitive benchmarks

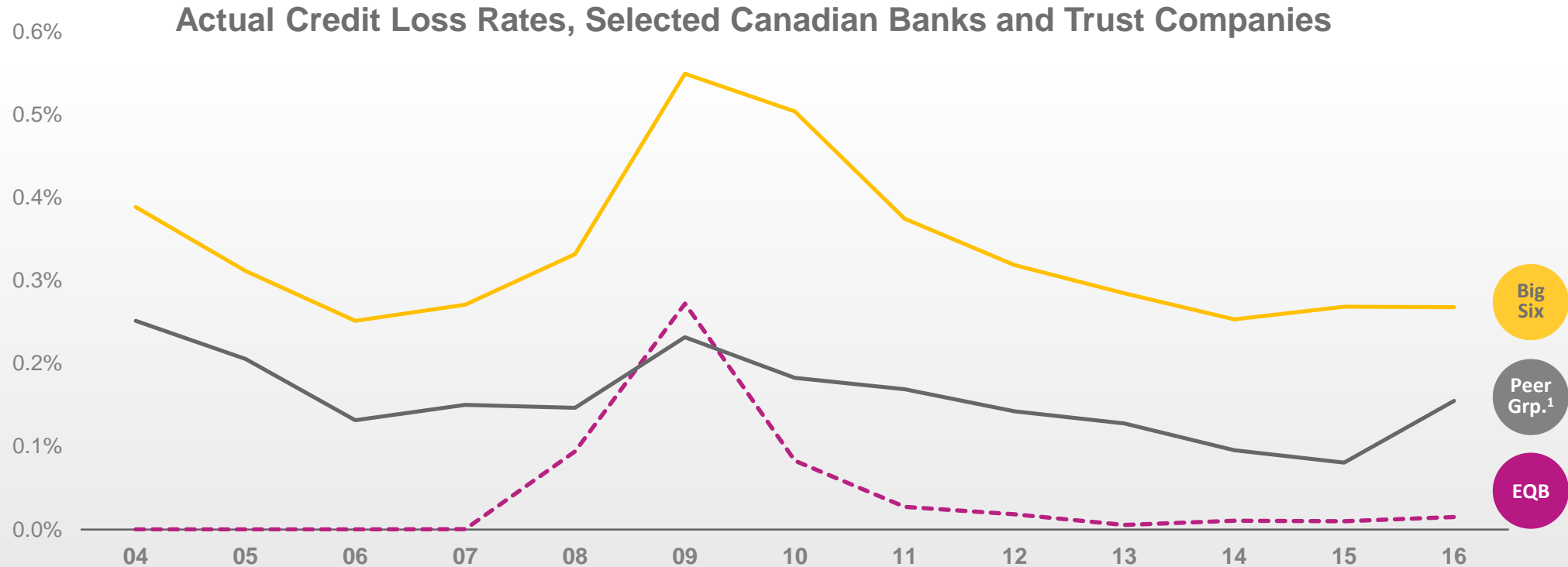
Continued industry outperformance

					
Superior Customer Service	Specialized Underwriting Process	Sophisticated Risk Management Framework	Deep Broker Relationships	Efficient Branchless Operations	Diverse, Low Cost Funding

Higher Return on Equity Than Benchmarks



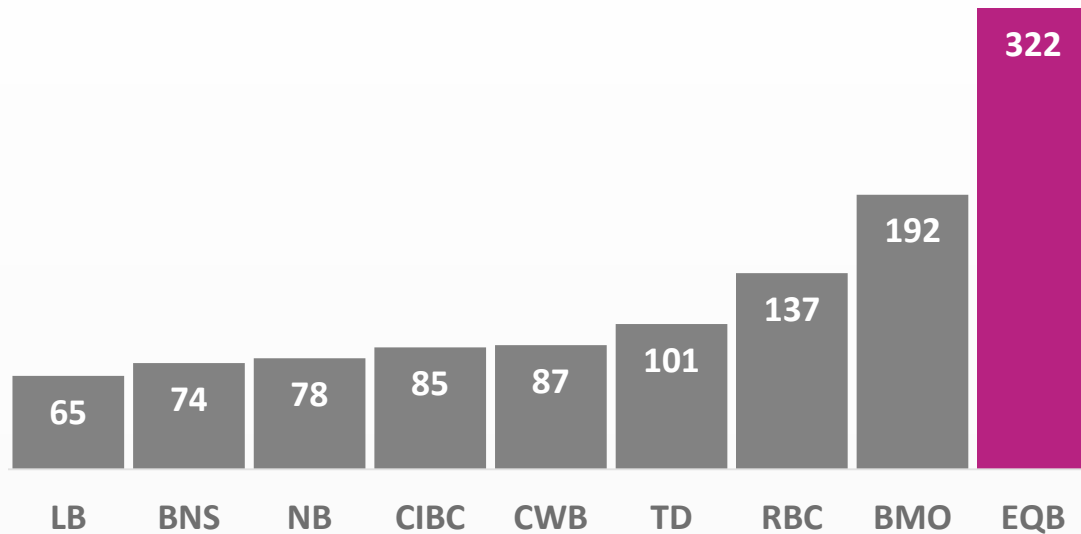
A strong risk management framework and low loss levels



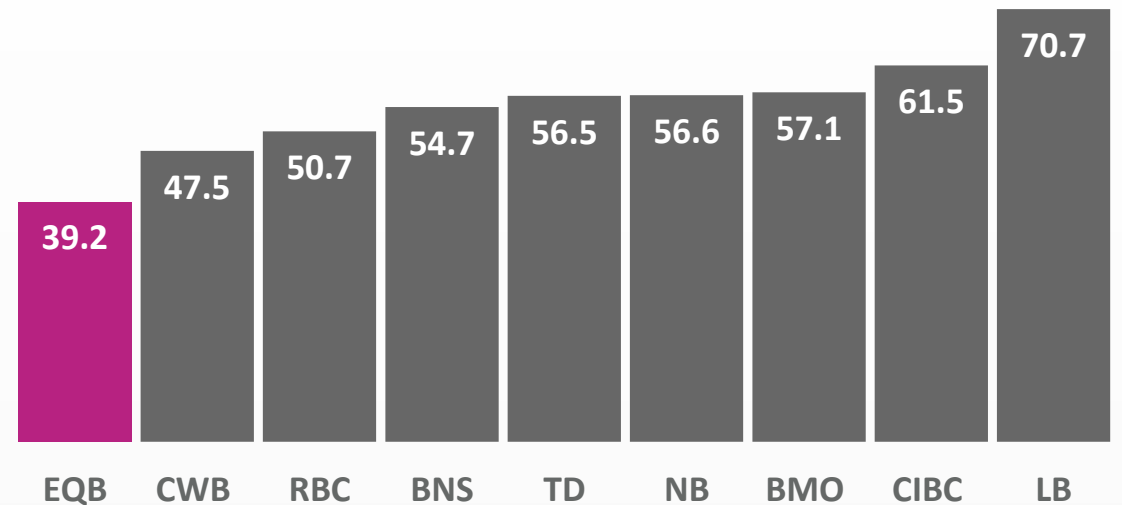
Minimal Credit Losses and Strong Relative Performance Highlight Portfolio Quality

Branchless operating model yields higher productivity and efficiency

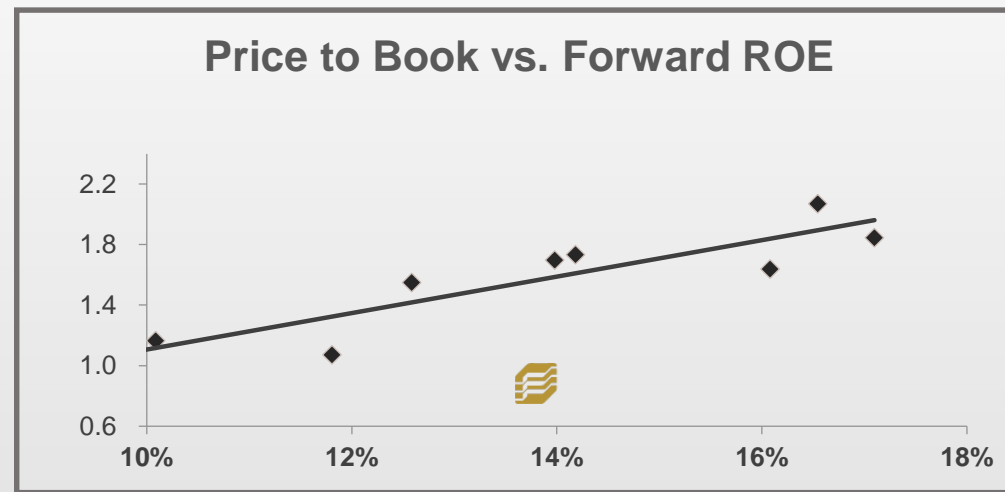
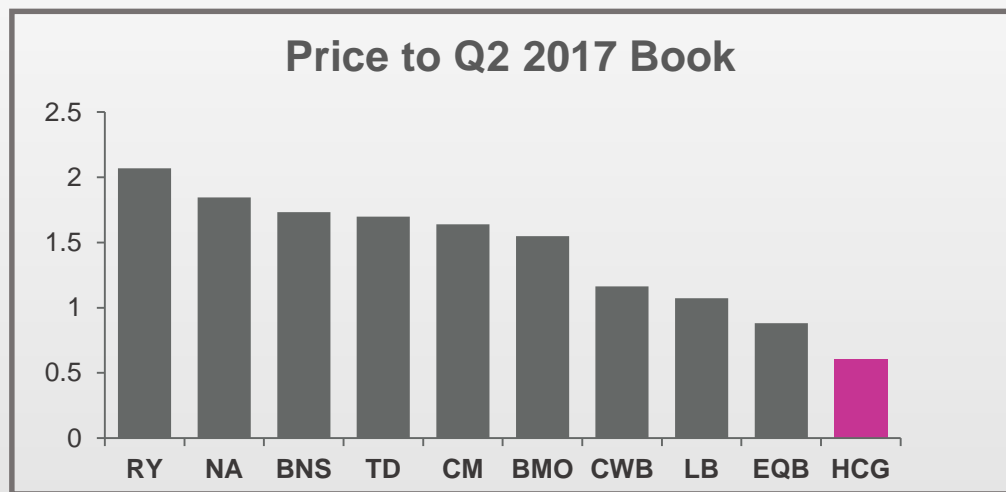
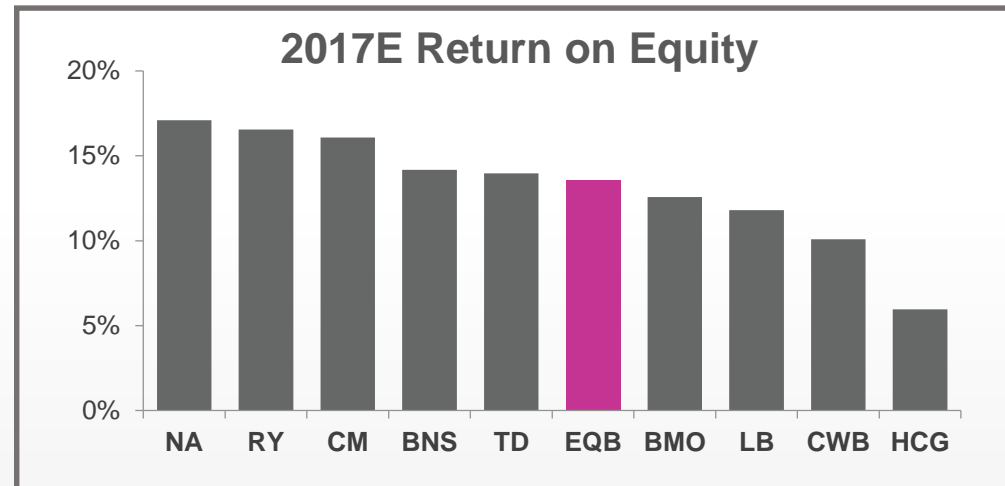
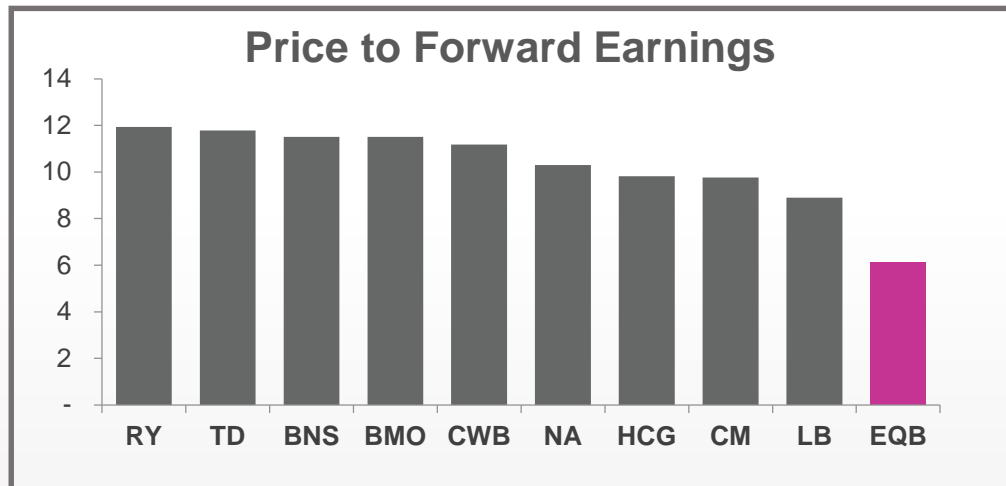
2017 Q2 Revenue per Employee (\$000s/Employee)



2017 Q2 Efficiency Ratios (%)



Valuation Metrics vs. Other Canadian FIs



Looking Forward

Our 2017 objectives build on our capabilities and our market opportunities

1

Grow our Single Family Business

2

Optimize Returns in Commercial

3

Advance our Mortgage Servicing Capabilities

4

Enhance Digital Banking Platform

5

Pursue AIRB initiative

Market Developments



Successfully responded to recent market developments

Funding Markets Disrupted

Equitable's Response	
Insured and securitized \$892MM of mortgages	Invested in an EQ Bank marketing campaign
Increased deposit rates	Sold \$23M of preferred shares

Two-Year \$2 Billion Secured Funding Backstop








Liquidity assets and deposit balances stabilized and grew quarter over quarter

Total Liquid Assets

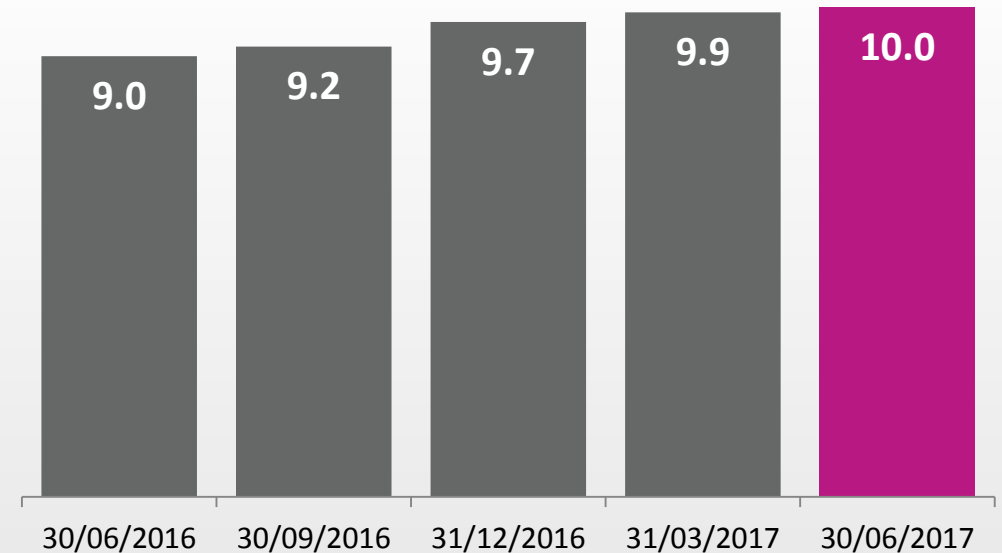
(\$ billion)



Liquidity Coverage Ratio Well Above 100%

Deposit Principal Balances

(\$ billion)



Deposits Well Diversified and Growing

Recent regulatory proposals create some operating uncertainty

OSFI has proposed changes to its Underwriting Guideline B-20

- Interest rate stress test
- Dynamic LTV measurements
- Restrictions on co-lending



- Impact on Equitable currently unclear, though likely slightly negative
- Difficult to forecast competitor and consumer reactions
- Opportunity to offset some of the effect with higher commercial asset growth